

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Village of Middleville
Barry County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Governmental Accounting Standards Board (GASB) has developed a standard, Statement No. 34 (GASB 34), to be used by local governments that will change the annual financial report in that it aggregates all government activities into two parts: governmental activities and business-type activities. GASB 34 also requires management to prepare a straightforward Management Discussion and Analysis (MD&A) of their local government's financial health during the past year. The reader should use this analysis along with the annual report to gain a complete picture of the Village of Middleville for 2005.

FINANCIAL HIGHLIGHTS

- Net assets is the amount by which the Village's assets exceeded its liabilities. Net assets totaled \$7,886,500 at December 31, 2005. The unrestricted portion of this amount, \$2,461,670 (31 percent), is available to be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$466,784 (6 percent) as a result of this year's activities. Net assets of the governmental and business-type activities increased by \$193,778 and \$273,006, respectively.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$302,238, which represents 30 percent of the actual total General Fund expenditures for the current fiscal year.
- *Deficits in the Local Development Finance Authority (LDFA) and the Downtown Development Authority (DDA)*
The fund deficit as of December 31, 2004, in the LDFA of \$161,291 was eliminated by repayment of an advance from the General Fund. The cash balance at the end of the year approximates \$18,000. The DDA reduced its deficit by approximately 46,000 during 2005.
- *Governmental activities*
The Village continued property tax rate responsibility by reducing its operating millage from 11.0739 to 11.0706. Because of continued new growth in taxable value from \$77 million to \$80 million in the Village, property tax revenues continue to increase while resident taxpayers only absorb the average rate of inflation due to Proposal A. This increase in revenues allows the General Fund to absorb increases in operating costs and continue to transfer funds to the Local Street Fund (\$90,000 in 2005) to continue the Street Improvement Program.
- *Business-type activities*
The Village's multi-year utility rate increase policy for commodity charges and connection fees keeps the utility fund revenues steady and avoids large increases all at once. The continued policy of new development paying for public water and sewer improvements allows the remaining resources to be used for repair and replacement of existing off-site infrastructure that serves these new developments.

Overview of the financial statements

The Village's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents additional information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net assets and how they have changed. Net assets (the difference between the Village's assets and liabilities) are one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection and general government. Property taxes and state shared revenue finance most of these activities.

Government-wide financial statements (Continued)

- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are reported here.
- *Component units* - The Village includes two other entities in its report - the Downtown Development Authority and the Local Development Finance Authority. Although legally separate, these "component units" are important because the Village is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Village Council establishes other funds to control and manage money for particular purposes (like street maintenance) to show that it is properly using certain revenues (like state grants collected for the street funds).

The Village has two kinds of funds:

- **Governmental funds.** Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

The General Fund is the most diverse governmental fund. The General Fund accounts for general administration, accounting, planning and zoning, parks and recreation, sidewalks, and other general government activities. Law enforcement is also accounted for in this fund.

The Major (5.5 miles) and Local (7.84 miles) street funds account for improvements to and preservation of the 13.34 miles of streets in the Village. It should be noted that state revenues pay for Major Street activities, but Local Street activities must be subsidized by transfers from the General Fund.

The Drug Enforcement Law Fund accounts for the seizure of illegal drug monies, which are restricted. They can only be used for drug enforcement purposes. The Drug Enforcement Law Fund is a nonmajor fund.

- Proprietary funds. Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.

The Sewer Fund is an important fund of the Village as it records the revenues from charges to the sewer customers and receipts in the form of connection fees made by developers that all pay for the maintenance of the sewer system and wastewater treatment plant. Middleville is very flat and needs to use several lift stations to move wastewater to the treatment plant.

The Water Fund records revenues from charges to the water customers and receipts from developers in the form of connection fees to pay for the maintenance of the water system, wells, a tower, and two booster stations.

The Village uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service fund is its Motor Vehicle Equipment Fund. This fund rents a fleet of equipment to all the other funds at rates established by the state.

Component units

The Downtown Development Authority and the Local Development Finance Authority, although legally separate, are included in the Village's financial report because the Village is financially accountable for them.

The Local Development Finance Authority (LDFA) was created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district. This entity has completed most of its plan by renovating the streets that serve its district.

The Downtown Development Authority (DDA) was also created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district. The State Equalized Value (SEV) of the DDA district has increased from \$5 million to \$12 million since the DDA was created in 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net assets. The Village's *combined* net assets increased by 6 percent between December 31, 2004 and 2005. While the Village reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Current assets	\$1,257,182	\$ 747,005	\$1,930,687	\$1,838,174	\$3,187,869	\$2,585,179
Noncurrent assets	877,903	1,527,738	6,256,513	6,396,441	7,134,416	7,924,179
Total assets	<u>2,135,085</u>	<u>2,274,743</u>	<u>8,187,200</u>	<u>8,234,615</u>	<u>10,322,285</u>	<u>10,509,358</u>
Current liabilities	109,202	55,082	58,367	42,776	167,569	97,858
Noncurrent liabilities	-	-	2,735,000	2,525,000	2,735,000	2,525,000
Total liabilities	<u>109,202</u>	<u>55,082</u>	<u>2,793,367</u>	<u>2,567,776</u>	<u>2,902,569</u>	<u>2,622,858</u>
Net assets:						
Invested in capital assets, net of related debt	624,098	1,302,115	2,441,786	2,826,797	3,065,884	4,128,912
Restricted	515,180	84,812	751,854	1,211,106	1,267,034	1,295,918
Unrestricted	886,605	832,734	2,200,193	1,628,936	3,086,798	2,461,670
Total net assets	<u>\$2,025,883</u>	<u>\$2,219,661</u>	<u>\$5,393,833</u>	<u>\$5,666,839</u>	<u>\$7,419,716</u>	<u>\$7,886,500</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Village's total revenues for 2005 were \$2,242,315. More than 33 percent of the Village's revenues come from property taxes and approximately 27 percent comes from public utility fees.

The total cost of all the Village's programs for 2005, covering a wide range of services, totaled \$1,775,531. More than 39 percent of the Village's costs relate to the provision of utility services and governmental public works costs represent approximately 23 percent of all costs.

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Program revenues:						
Charges for services	\$ 4,194	\$ 2,065	\$ 560,105	\$ 594,223	\$ 564,299	\$ 596,288
Operating grants and contributions	231,128	221,985	-	-	231,128	221,985
Capital grants and contributions	-	-	357,050	317,320	357,050	317,320
General revenues:						
Property taxes	733,710	747,155	-	-	733,710	747,155
State shared revenue	242,437	239,264	-	-	242,437	239,264
Other	39,304	57,624	51,213	62,679	90,517	120,303
Total revenues	<u>1,250,773</u>	<u>1,268,093</u>	<u>968,368</u>	<u>974,222</u>	<u>2,219,141</u>	<u>2,242,315</u>
Expenses:						
Legislative	16,492	20,233	-	-	16,492	20,233
General government	253,884	310,731	-	-	253,884	310,731
Public safety	215,519	216,790	-	-	215,519	216,790
Public works	556,925	403,067	-	-	556,925	403,067
Community and economic development	97,981	78,922	-	-	97,981	78,922
Culture and recreation	42,829	44,572	-	-	42,829	44,572
Sewer	-	-	605,536	471,239	605,536	471,239
Water	-	-	222,975	229,977	222,975	229,977
Total expenses	<u>1,183,630</u>	<u>1,074,315</u>	<u>828,511</u>	<u>701,216</u>	<u>2,012,141</u>	<u>1,775,531</u>
Increase in net assets	<u>\$ 67,143</u>	<u>\$ 193,778</u>	<u>\$ 139,857</u>	<u>\$ 273,006</u>	<u>\$ 207,000</u>	<u>\$ 466,784</u>

Village of Middleville
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities. Governmental activities increased the Village's net assets by \$193,778. The increase was the result of using the accumulated cash balance in the Major Street Fund and committing those resources to the rebuilding of West Main Street.

The following table shows the costs of the Village's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Village's taxpayers by each of these functions.

The total cost of all governmental activities was \$1,074,315.

However, the amount that our taxpayers paid for these activities through general revenues was \$850,265. Some of the cost was paid by:

- Those who directly benefited from the programs (\$2,065), or
- Other governments that subsidized certain programs with grants and contributions (\$221,985).

The Village paid for the \$850,265 "public benefit" portion with \$747,155 in property taxes and with other general revenues, such as state shared revenue and interest income.

	<u>Total cost of services</u>	<u>Net cost of services</u>
Public works	\$ 403,067	\$ 211,947
General government	310,731	310,731
Public safety	216,790	216,790
Other	<u>143,727</u>	<u>110,797</u>
Total	<u>\$ 1,074,315</u>	<u>\$ 850,265</u>

Business-type activities. Business-type activities increased the Village's net assets by \$273,006. Both the Sewer and Water funds generated an increase in net assets primarily due to the collection of a substantial amount of connection fees (\$148,000) in 2005. However, the Sewer Fund experienced an operating loss because current charges do not provide sufficient funds to cover current operating costs. The Sewer and Water funds experienced operating gains/(losses) of (\$9,660) and \$3,967, respectively.

Component unit activities

- DDA - This entity is self-funded by the use of captured tax revenues in accordance with state law and once capital improvements are made, they become assets of the Village. The DDA has sufficient funds to sponsor downtown events and spend brick and mortar dollars to spur investment in the District.
- LDFA - This entity is self-funded by the use of captured tax revenues in accordance with state law and once capital improvements are made they become assets of the Village. The growth at Metaldyne will bring in additional captured taxes to finance future projects.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds. As of December 31, 2005, the Village's governmental funds reported total fund balances of \$640,855, a decrease of \$476,787 over last year's balances. The General Fund experienced a decrease (\$37,433) primarily due to a transfer to the Local Street Fund of \$90,000 in support of street preservation and maintenance costs. In addition, these other changes in fund balances should be noted:

- The fund balance of the Major Street Fund decreased by \$458,217, due to current street project costs.
- The fund balance of the Local Street Fund increased by \$18,862, reflecting excess amounts transferred in from the General Fund in support of current expenditures.

The General Fund is the chief operating fund of the Village. At the end of the fiscal year, unreserved fund balance was \$302,238, which represents 30 percent of the actual total General Fund expenditures for the current fiscal year. The General Fund has the greatest flexibility in that it provides a variety of services to the residents. Property taxes compose 70% of the General Fund revenues, while state shared revenues compose 23%. Because of the new growth in the Village, cuts in state shared revenues have been offset. Management's goal is to increase the unrestricted cash balance of the fund to an amount representing 25 percent of expenditures over the next five years, while still continuing to subsidize the street improvement program.

Proprietary funds. The Water Fund has no debt at this time and operating revenues covered expenses in 2005. The total assets of the fund are \$1,564,058 of which cash is \$454,184. The total liabilities are \$9,016 leaving net assets of \$1,555,042. The Village has committed to the State to make system improvements, put in two new production wells, and build a new water tower. This will create debt and require a rate increase. Continued growth brings in connection fees that increase the available cash to offset some of the future capital needs for the system improvements. Estimated borrowing needs for this fund in 2006 are \$1.2 million.

The Sewer Fund owes Barry County who sold the bonds to finance the sewer system improvements in 1998. The total assets of this fund are \$6,670,557 primarily reflected in a new treatment facility. The total liabilities of the Sewer Fund are \$2,558,760, which is primarily the debt to be paid off, leaving net assets of \$4,111,797. The current debt charge to the customers of the system is insufficient to pay the annual debt service costs and is supplemented by developer connection fees. Continued repair/replacement of the underground system creating capacity forestalls the need to expand the treatment facility, which is designed to have "cells" added to it instead of building a whole new plant.

Internal Service The Motor Vehicle Equipment Fund (MVEF) pays for its annual operational expenses by rates charged to other funds for the use of its assets. The Village has recently compiled a Capital Improvement Plan (CIP) so that major purchases can be scheduled over time.

General Fund budgetary highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$124,341, primarily due to an expanded West Main project. Actual revenues were \$228,324 less than the total amount budgeted because property tax revenues were overstated and cash reserves were used. Actual expenditures were \$115,279 less than the total amount budgeted due to shifting certain projects into 2006.

Village of Middleville
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$6,653,912 (net of accumulated depreciation). This investment includes a broad range of assets including land, equipment, buildings, and sewer and water facilities. The increase in the Village's net investment in capital assets for the current fiscal year was \$853,028, or approximately 15% percent.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Infrastructure	\$ 602,948	\$ 5,277,358	\$ 5,880,306
Buildings and improvements	505,579	-	505,579
Equipment	156,088	31,309	187,397
Land	<u>37,500</u>	<u>43,130</u>	<u>80,630</u>
Total	<u>\$ 1,302,115</u>	<u>\$ 5,351,797</u>	<u>\$ 6,653,912</u>

Major capital asset events during the current fiscal year included the following:

- 2004 and 2005 Street Improvement Projects - sewer system additions amounted to \$155,731, water system additions were \$137,152, and costs totaling \$605,690 in street infrastructure were incurred.
- Acquisition of a wheel loader for \$82,464, net of trade-in allowance.

More detailed information about the Village's capital assets is presented in Note 5 of the basic financial statements.

Debt administration

At the end of the fiscal year, the Village had total long-term liabilities outstanding in the amount of \$2,525,000, which represents a decrease of \$210,000 or 8 percent. All debt is backed by the full faith and credit of the Village and is financed by specific user fees.

During the year ended December 31, 2005, the Village decreased its long-term liabilities through the payment of principal totaling \$210,000.

State statutes limit the amount of general obligation debt the Village can issue to 10 percent of its total state equalized assessed value of property. The Village's total debt (\$2,525,000) is significantly lower than the current state-imposed limit of \$9,549,242.

The Village has the responsibility to meet the 2006 principal and interest payments of \$205,000 and \$89,858 to Barry County for the 1999 Sewer System improvements bond issue and the refinanced issue of 2003. The 2003 refinancing issue will be saving the Village almost \$40,000 over the life of the debt.

All scheduled debt payments were made in 2005.

More detailed information about the Village's long-term liabilities is presented in Note 9 of the basic financial statements.

Economic condition and outlook

The Village continues to experience a high growth rate, which has insulated Village operations from the economic downturns experienced in other parts of the state. Most recently Metaldyne, Sequoia (\$17 million), and Alliance Sheet Metal have announced intent to invest in machinery and equipment (\$20 million combined) and create 112 new jobs (total combined).

The State of Michigan continues to struggle and local governments are wary of additional cuts to shared revenues. The Village can depend on a minimal annual payment of \$188,000 as required by the constitution. However, the statutory and constitutional allocation is now at \$242,195, while the Village continues to only budget to receive \$200,000 to be conservative.

The new Federal Highway Transportation bill (TEA-21) has a \$3.52 million grant to fund a new bridge across the Thornapple River through the Barry County Road Commission using Crane Road. If approved, this would provide an important truck route from Barry County's largest employer, the Bradford White Corporation (BWC) to US-131. The Village continues to work aggressively with BWC as they evaluate future investments in their operations. BWC provides more than 20% of the Village's property tax revenues and over 1,000 jobs to the area.

The Village water system will be improved in 2006 as the Village searches for two new wells and makes system improvements as the Village moves closer to financing these improvements through Michigan's Drinking Water Revolving Loan Fund (DWRLF).

Contacting the Village's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Ron Howell, Village Manager
Village of Middleville
100 East Main Street
Middleville, Michigan 49333-0069

Phone: (269) 795-3385

INDEPENDENT AUDITORS' REPORT

**Village Council
Village of Middleville, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the Village of Middleville, Michigan, as of December 31, 2005, and for the year then ended, which collectively comprise the Village of Middleville, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Middleville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the Village of Middleville, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Village Council
Village of Middleville, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Middleville, Michigan's basic financial statements. The accompanying supplementary data, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is stated fairly in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

March 1, 2006

BASIC FINANCIAL STATEMENTS

Village of Middleville
STATEMENT OF NET ASSETS
December 31, 2005

	<u>Primary government</u>			<u>Component units</u>	
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Local Development Finance Authority</u>	<u>Downtown Development Authority</u>
ASSETS					
Current assets:					
Cash	\$ 490,445	\$ 1,443,286	\$ 1,933,731	\$ 18,006	\$ 46,080
Receivables (net)	218,140	394,888	613,028	-	-
Prepaid expenses	10,238	-	10,238	-	-
Advances to component units	28,182	-	28,182	-	-
Total current assets	<u>747,005</u>	<u>1,838,174</u>	<u>2,585,179</u>	<u>18,006</u>	<u>46,080</u>
Noncurrent assets:					
Cash - restricted	-	664,966	664,966	-	-
Receivables (net)	-	321,741	321,741	-	-
Advance to component unit	225,623	-	225,623	-	-
Capital assets (net)	1,302,115	5,351,797	6,653,912	-	-
Deferred charges (net)	-	57,937	57,937	-	-
Total noncurrent assets	<u>1,527,738</u>	<u>6,396,441</u>	<u>7,924,179</u>	<u>-</u>	<u>-</u>
Total assets	<u>2,274,743</u>	<u>8,234,615</u>	<u>10,509,358</u>	<u>18,006</u>	<u>46,080</u>
LIABILITIES					
Current liabilities:					
Payables	55,082	42,776	97,858	-	-
Advance from primary government	-	-	-	-	28,182
Notes payable	-	205,000	205,000	-	-
Total current liabilities	<u>55,082</u>	<u>247,776</u>	<u>302,858</u>	<u>-</u>	<u>28,182</u>
Noncurrent liabilities:					
Advance from primary government	-	-	-	-	225,623
Notes payable	-	2,320,000	2,320,000	-	-
Total liabilities	<u>55,082</u>	<u>2,567,776</u>	<u>2,622,858</u>	<u>-</u>	<u>253,805</u>
NET ASSETS					
Invested in capital assets, net of related debt	1,302,115	2,826,797	4,128,912	-	-
Restricted:					
Public works	71,766	-	71,766	-	-
Public safety	13,046	-	13,046	-	-
Debt service	-	1,211,106	1,211,106	-	-
Unrestricted (deficit)	<u>832,734</u>	<u>1,628,936</u>	<u>2,461,670</u>	<u>18,006</u>	<u>(207,725)</u>
Total net assets	<u>\$ 2,219,661</u>	<u>\$ 5,666,839</u>	<u>\$ 7,886,500</u>	<u>\$ 18,006</u>	<u>\$ (207,725)</u>

See notes to the financial statements

Village of Middleville
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

		<u>Program revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>
			<u>contributions</u>	<u>contributions</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 20,233	\$ -	\$ -	\$ -
General government	310,731	-	-	-
Public safety	216,790	-	-	-
Public works	403,067	-	191,120	-
Community and economic development	78,922	2,065	30,865	-
Culture and recreation	44,572	-	-	-
Total governmental activities	<u>1,074,315</u>	<u>2,065</u>	<u>221,985</u>	<u>-</u>
Business-type activities:				
Sewer	471,239	360,279	-	285,692
Water	229,977	233,944	-	31,628
Total business-type activities	<u>701,216</u>	<u>594,223</u>	<u>-</u>	<u>317,320</u>
Total primary government	<u>\$ 1,775,531</u>	<u>\$ 596,288</u>	<u>\$ 221,985</u>	<u>\$ 317,320</u>
Component units:				
Local Development Finance Authority	\$ 8,056	\$ -	\$ -	\$ -
Downtown Development Authority	31,905	-	-	-
Total component units	<u>\$ 39,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues

Property taxes
State shared revenue
Unrestricted interest earnings
Miscellaneous

Total general revenues

Change in net assets

Net assets (deficit) - beginning

Net assets (deficit) - ending

<i>Net (expenses) revenues and changes in net assets</i>				
<i>Primary government</i>			<i>Component units</i>	
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>
\$ (20,233)		\$ (20,233)		
(310,731)		(310,731)		
(216,790)		(216,790)		
(211,947)		(211,947)		
(45,992)		(45,992)		
(44,572)		(44,572)		
(850,265)		(850,265)		
	\$ 174,732	174,732		
	35,595	35,595		
	210,327	210,327		
(850,265)	210,327	(639,938)		
			\$ (8,056)	\$ -
			-	(31,905)
			(8,056)	(31,905)
747,155	-	747,155	187,253	77,430
239,264	-	239,264	-	-
28,353	62,679	91,032	100	875
29,271	-	29,271	-	-
1,044,043	62,679	1,106,722	187,353	78,305
193,778	273,006	466,784	179,297	46,400
2,025,883	5,393,833	7,419,716	(161,291)	(254,125)
\$ 2,219,661	\$ 5,666,839	\$ 7,886,500	\$ 18,006	\$ (207,725)

See notes to the financial statements

Village of Middleville
BALANCE SHEET - governmental funds
December 31, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 161,977	\$ -	\$ 46,635	\$ 13,046	\$ 221,658
Receivables (net)	190,014	20,908	7,218	-	218,140
Long-term advance to component unit	<u>253,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,805</u>
Total assets	<u>\$ 605,796</u>	<u>\$ 20,908</u>	<u>\$ 53,853</u>	<u>\$ 13,046</u>	<u>\$ 693,603</u>
LIABILITIES AND FUND BALANCES					
Liabilities - payables	<u>\$ 30,735</u>	<u>\$ 17,198</u>	<u>\$ 4,815</u>	<u>\$ -</u>	<u>\$ 52,748</u>
Fund balances:					
Reserved for:					
Long-term advances	253,805	-	-	-	253,805
Right-of-way expenditures	19,018	-	-	-	19,018
Unreserved, undesignated	<u>302,238</u>	<u>3,710</u>	<u>49,038</u>	<u>13,046</u>	<u>368,032</u>
Total fund balances	<u>575,061</u>	<u>3,710</u>	<u>49,038</u>	<u>13,046</u>	<u>640,855</u>
Total liabilities and fund balances	<u>\$ 605,796</u>	<u>\$ 20,908</u>	<u>\$ 53,853</u>	<u>\$ 13,046</u>	

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 935,237

Prepaid expenses are not reported in the funds. 10,238

An internal service fund is used by management to charge costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net assets. 633,331

Net assets of *governmental activities* (page 5) \$ 2,219,661

See notes to the financial statements

Village of Middleville

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended December 31, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 747,155	\$ -	\$ -	\$ -	\$ 747,155
State grants	248,239	135,835	46,310	-	430,384
Charges for services	30,865	-	-	-	30,865
Licenses and permits	2,065	-	-	-	2,065
Interest and rentals	13,965	6,413	937	316	21,631
Other	29,271	-	-	-	29,271
Total revenues	<u>1,071,560</u>	<u>142,248</u>	<u>47,247</u>	<u>316</u>	<u>1,261,371</u>
EXPENDITURES					
Legislative	20,233	-	-	-	20,233
General government	308,856	-	-	-	308,856
Public safety	216,790	-	-	-	216,790
Public works	303,940	600,465	118,385	305	1,023,095
Community and economic development	78,922	-	-	-	78,922
Culture and recreation	47,107	-	-	-	47,107
Capital outlay	43,155	-	-	-	43,155
Total expenditures	<u>1,019,003</u>	<u>600,465</u>	<u>118,385</u>	<u>305</u>	<u>1,738,158</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>52,557</u>	<u>(458,217)</u>	<u>(71,138)</u>	<u>11</u>	<u>(476,787)</u>
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	90,000	-	90,000
Transfer out	(90,000)	-	-	-	(90,000)
Total other financing sources (uses)	<u>(90,000)</u>	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(37,443)</u>	<u>(458,217)</u>	<u>18,862</u>	<u>11</u>	<u>(476,787)</u>
FUND BALANCES - BEGINNING	<u>612,504</u>	<u>461,927</u>	<u>30,176</u>	<u>13,035</u>	<u>1,117,642</u>
FUND BALANCES - ENDING	<u>\$ 575,061</u>	<u>\$ 3,710</u>	<u>\$ 49,038</u>	<u>\$ 13,046</u>	<u>\$ 640,855</u>

See notes to the financial statements

Village of Middleville

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended December 31, 2005

Reconciliation of the statement of revenues, expenditures, and changes
in fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8) \$ (476,787)

Amounts reported for *governmental activities* in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statements of activities the costs of those assets are allocated over their
estimated useful lives as depreciation expense.

Assets acquired	648,845
Provision for depreciation	(16,488)

Prepaid expenses are reported in the government wide statements.	10,238
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The net revenue of the internal service fund is reported with <i>governmental activities</i> .	<u>27,970</u>
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Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ 193,778</u>
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See notes to the financial statements

Village of Middleville
STATEMENT OF NET ASSETS - proprietary funds
December 31, 2005

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Cash	\$ 989,102	\$ 454,184	\$ 1,443,286	\$ 268,787
Receivables (net)	352,367	42,521	394,888	-
Total current assets	1,341,469	496,705	1,838,174	268,787
Noncurrent assets:				
Cash - restricted	664,966	-	664,966	-
Receivables (net)	321,741	-	321,741	-
Capital assets (net)	4,284,444	1,067,353	5,351,797	366,878
Deferred charges (net)	57,937	-	57,937	-
Total noncurrent assets	5,329,088	1,067,353	6,396,441	366,878
Total assets	6,670,557	1,564,058	8,234,615	635,665
LIABILITIES				
Current liabilities:				
Payables	33,760	9,016	42,776	2,334
Notes payable	205,000	-	205,000	-
Total current liabilities	238,760	9,016	247,776	2,334
Noncurrent liabilities:				
Notes payable	2,320,000	-	2,320,000	-
Total liabilities	2,558,760	9,016	2,567,776	2,334
NET ASSETS				
Investment in capital assets, net of related debt	1,759,444	1,067,353	2,826,797	366,878
Restricted for debt service	1,211,106	-	1,211,106	-
Unrestricted	1,141,247	487,689	1,628,936	266,453
Total net assets	\$ 4,111,797	\$ 1,555,042	\$ 5,666,839	\$ 633,331

See notes to the financial statements

Village of Middleville**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - proprietary funds**

Year ended December 31, 2005

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
OPERATING REVENUES				
Charges for services:				
Public utility fees	\$ 360,279	\$ 233,944	\$ 594,223	\$ -
Equipment rental	-	-	-	118,156
Total operating revenues	<u>360,279</u>	<u>233,944</u>	<u>594,223</u>	<u>118,156</u>
OPERATING EXPENSES				
Personnel costs	36,119	62,928	99,047	21,617
Contracted services	159,063	55,544	214,607	-
Supplies	3,518	17,070	20,588	38,486
Utilities	31,180	24,477	55,657	-
Internal charges	16,702	24,855	41,557	-
Miscellaneous	13,927	11,094	25,021	-
Depreciation	109,430	34,009	143,439	36,805
Total operating expenses	<u>369,939</u>	<u>229,977</u>	<u>599,916</u>	<u>96,908</u>
Operating income (loss)	<u>(9,660)</u>	<u>3,967</u>	<u>(5,693)</u>	<u>21,248</u>
NONOPERATING REVENUES (EXPENSES)				
Debt retirement charges	167,943	-	167,943	-
Connection fees	116,598	31,628	148,226	-
Special assessment interest	1,151	-	1,151	-
Interest revenue	52,519	10,160	62,679	6,722
Interest expense	(101,300)	-	(101,300)	-
Total nonoperating revenues	<u>236,911</u>	<u>41,788</u>	<u>278,699</u>	<u>6,722</u>
CHANGE IN NET ASSETS	<u>227,251</u>	<u>45,755</u>	<u>273,006</u>	<u>27,970</u>
NET ASSETS - BEGINNING	<u>3,884,546</u>	<u>1,509,287</u>	<u>5,393,833</u>	<u>605,361</u>
NET ASSETS - ENDING	<u>\$ 4,111,797</u>	<u>\$ 1,555,042</u>	<u>\$ 5,666,839</u>	<u>\$ 633,331</u>

See notes to the financial statements

Village of Middleville
STATEMENT OF CASH FLOWS - proprietary funds
Year ended December 31, 2005

	<u>Business-type activities</u>			<u>Governmental activities</u>
	<u>Enterprise funds</u>			<u>Internal service</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 357,303	\$ 231,243	\$ 588,546	\$ 118,156
Payments to vendors and suppliers	(220,572)	(109,894)	(330,466)	(36,153)
Payments to employees	(36,119)	(62,928)	(99,047)	(21,617)
Internal activity - payments to other funds	(16,702)	(24,855)	(41,557)	-
Net cash provided by operating activities	<u>83,910</u>	<u>33,566</u>	<u>117,476</u>	<u>60,386</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retirement charges	167,943	-	167,943	-
Connection fees	116,598	31,628	148,226	-
Special assessment principal collections	132,139	-	132,139	-
Special assessment interest	1,151	-	1,151	-
Acquisition of capital assets	(181,297)	(137,152)	(318,449)	(82,464)
Principal payments on capital debt	(210,000)	-	(210,000)	-
Interest payments on capital debt	(95,057)	-	(95,057)	-
Net cash used in capital and related financing activities	<u>(68,523)</u>	<u>(105,524)</u>	<u>(174,047)</u>	<u>(82,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>52,519</u>	<u>10,160</u>	<u>62,679</u>	<u>6,722</u>
NET INCREASE (DECREASE) IN CASH	<u>67,906</u>	<u>(61,798)</u>	<u>6,108</u>	<u>(15,356)</u>
CASH - BEGINNING (including \$567,877 in restricted accounts)	<u>1,586,162</u>	<u>515,982</u>	<u>2,102,144</u>	<u>284,143</u>
CASH - ENDING (including \$664,966 in restricted accounts)	<u>\$ 1,654,068</u>	<u>\$ 454,184</u>	<u>\$ 2,108,252</u>	<u>\$ 268,787</u>

See notes to the financial statements

Village of Middleville

STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)

Year ended December 31, 2005

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (9,660)	\$ 3,967	\$ (5,693)	\$ 21,248
Adjustments to reconcile operating income (loss) to net cash provided by operating provided by operating activities:				
Depreciation	109,430	34,009	143,439	36,805
Increase in receivables, net	(2,976)	(2,701)	(5,677)	-
Increase (decrease) in payables	(12,884)	(1,709)	(14,593)	2,333
Net cash provided by operating activities	<u>\$ 83,910</u>	<u>\$ 33,566</u>	<u>\$ 117,476</u>	<u>\$ 60,386</u>

See notes to the financial statements

Village of Middleville
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Middleville, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely-presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

Discretely-presented component units:

Local Development Finance Authority and Downtown Development Authority

Each component units' governing body is appointed by the Village Council and their debt remains with the Village. Separate financial statements for the component units have not been issued as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (Continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of motor fuel taxes, which are earmarked by state statute for major street repairs and improvements.

The Local Street Fund accounts for the use of motor fuel taxes, which are earmarked by the state for local street repairs and improvements.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Village's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the Village's water distribution and treatment system.

Additionally, the Village reports the following fund type:

The Motor Vehicle Equipment Fund, an internal service fund, accounts for the financing of services provided to other departments or agencies of the Village on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

iii) Deferred charges - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the straight-line method.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning January 1, 2005.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 - 40 years
Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Sewage disposal system	50 - 70 years

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (Continued):

v) Compensated absences - The employment policies for accumulation of earned, but unused, vacation and sick leave benefits are as follows:

Vacation time is earned in varying amounts depending upon years of service. Employees may accumulate and carry over a maximum of fifty percent of earned vacation as approved by the Village Manager. Upon termination, employees are not paid for unused vacation time.

Employees are granted six paid sick days per year. Unused sick time may be accumulated and added to the following year so that an employee may accumulate up to a maximum of twelve sick days. Upon termination, employees are not paid for unused sick time.

Compensated absence liabilities have not been recorded because these benefits are not vested.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations in budgeted funds - The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	\$ 293,273	\$ 303,940	\$ 10,667
	Capital outlay	25,000	43,155	18,155
Major Street	Public works	591,339	600,465	9,126

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

At December 31, 2005, cash is classified in the accompanying financial statements as follows:

Statement of net assets:	
Primary government:	
Cash	\$ 1,933,731
Restricted cash	664,966
Component units - cash	<u>64,086</u>
Total	<u>\$ 2,662,783</u>

At December 31, 2005, cash consists of the following:

Cash on hand	\$ 250
Deposits with financial institutions	<u>2,662,533</u>
Total	<u>\$ 2,662,783</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At December 31, 2005, \$2,632,123 of the Village's bank balances of \$2,732,123 was exposed to custodial credit risk because it was uninsured. The Village believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

The Village maintains pooled cash accounts for all of its funds and its component units. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units. The insured portion of the bank balance, \$100,000, has been allocated entirely to the primary government.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At December 31, 2005, the Village's receivables were as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter governmental</u>	<u>Special assessments</u>	<u>Totals</u>
Governmental activities:					
General Fund	\$ 56,070	\$ 51,167	\$ 82,777	\$ -	\$ 190,014
Major Street Fund	-	-	20,908	-	20,908
Local Street Fund	-	-	7,218	-	7,218
Total governmental activities	<u>\$ 56,070</u>	<u>\$ 51,167</u>	<u>\$ 110,903</u>	<u>\$ -</u>	<u>\$ 218,140</u>
Business-type activities:					
Sewer Fund	\$ 127,968	\$ -	\$ 191,179	\$ 354,961	\$ 674,108
Water Fund	42,521	-	-	-	42,521
Total business-type activities	<u>\$ 170,489</u>	<u>\$ -</u>	<u>\$ 191,179</u>	<u>\$ 354,961</u>	<u>\$ 716,629</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,741</u>	<u>\$ 321,741</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ -</u>	<u>\$ 37,500</u>	<u>\$ -</u>	<u>\$ 37,500</u>
Capital assets being depreciated:				
Land improvements	44,918	-	-	44,918
Buildings	630,608	-	-	630,608
Furniture, fixtures, and equipment	169,645	88,119	(49,353)	208,411
Infrastructure	-	605,690	-	605,690
Vehicles	262,485	-	-	262,485
Subtotal	<u>1,107,656</u>	<u>693,809</u>	<u>(49,353)</u>	<u>1,752,112</u>

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Capital asset activity for the year ended December 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities (continued):				
Less accumulated depreciation for:				
Land improvements	\$ 8,739	\$ 2,246	\$ -	\$ 10,985
Buildings	141,847	17,115	-	158,962
Furniture, fixtures, and equipment	113,684	10,421	(49,353)	74,752
Infrastructure		2,742		2,742
Vehicles	219,288	20,768	-	240,056
Subtotal	<u>483,558</u>	<u>53,292</u>	<u>(49,353)</u>	<u>487,497</u>
Total capital assets being depreciated, net	<u>624,098</u>	<u>640,517</u>	<u>-</u>	<u>1,264,615</u>
Governmental activities capital assets, net	<u>\$ 624,098</u>	<u>\$ 678,017</u>	<u>\$ -</u>	<u>\$ 1,302,115</u>
Business-type activities:				
Capital assets not being depreciated - land	<u>\$ 43,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,130</u>
Capital assets being depreciated:				
Sewer system	5,231,478	181,297	-	5,412,775
Water system	1,349,964	137,152	-	1,487,116
Equipment	242,343	-	-	242,343
Subtotal	<u>6,823,785</u>	<u>318,449</u>	<u>-</u>	<u>7,142,234</u>
Less accumulated depreciation for:				
Sewer system	1,052,681	109,430	-	1,162,111
Water system	430,732	29,690	-	460,422
Equipment	206,716	4,318	-	211,034
Subtotal	<u>1,690,129</u>	<u>143,438</u>	<u>-</u>	<u>1,833,567</u>
Total capital assets being depreciated, net	<u>5,133,656</u>	<u>175,011</u>	<u>-</u>	<u>5,308,667</u>
Business-type activities capital assets (net)	<u>\$ 5,176,786</u>	<u>\$ 175,011</u>	<u>\$ -</u>	<u>\$ 5,351,797</u>

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

General government	\$ 13,746
Public works	2,742
Depreciation on capital assets held by internal service fund	<u>36,804</u>
Total governmental activities	<u>\$ 53,292</u>

NOTE 6 - INTERFUND TRANSFER:

The interfund transfer for the year ended December 31, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Local Street Fund	<u>\$ 90,000</u>	General Fund	<u>\$ 90,000</u>

The transfer to the Local Street Fund represents support for street preservation and repairs.

NOTE 7 - ADVANCES TO COMPONENT UNITS:

The General Fund advanced \$330,000 to the Local Development Finance Authority, a component unit of the Village, to finance a portion of the cost of road reconstruction. The agreement between the two entities requires annual payments of \$66,000, plus interest at 6.5%, through 2014. The balance at December 31, 2005, is \$253,805

The General Fund advanced \$310,387 to the Downtown Development Authority, a component unit of the Village, to finance the Authority's share of construction costs related to the High Street parking lot and Stagecoach Park. The advance was repaid during 2005.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PAYABLES:

At December 31, 2005, the Village's payables were as follows:

	<u>Accounts</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:			
General Fund	\$ 30,735	\$ -	\$ 30,735
Major Street Fund	17,198	-	17,198
Local Street Fund	4,815		4,815
Internal Service Fund	<u>2,334</u>	<u>-</u>	<u>2,334</u>
Total governmental activities	<u>\$ 55,082</u>	<u>\$ -</u>	<u>\$ 55,082</u>
Business-type activities:			
Sewer Fund	\$ 15,560	\$ 18,200	\$ 33,760
Water Fund	<u>9,016</u>	<u>-</u>	<u>9,016</u>
Total business-type activities	<u>\$ 24,576</u>	<u>\$ 18,200</u>	<u>\$ 42,776</u>

NOTE 9 - LONG-TERM LIABILITIES:

At December 31, 2005, long-term liabilities are comprised of the following individual issues:

Business-type activities:

Notes payable:

\$1,125,000 1999 Barry County contract payable - payable in annual installments ranging from \$50,000 to \$75,000, plus interest at 3.9% to 6.9%; final payment due October 2018 \$ 850,000

\$1,870,000 2003 Barry County contract payable - payable in annual installments ranging from \$35,000 to \$220,000, plus interest at 2.0% to 3.8%; final payment due November 2014 1,675,000

Total primary government long-term liabilities \$2,525,000

Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Business-type activities:					
1999 Contract payable	\$ 900,000	\$ -	\$ (50,000)	\$ 850,000	\$ 155,000
2003 Contract payable	<u>1,835,000</u>	<u>-</u>	<u>(160,000)</u>	<u>1,675,000</u>	<u>50,000</u>
Total notes payable	<u>\$ 2,735,000</u>	<u>\$ -</u>	<u>\$ (210,000)</u>	<u>\$ 2,525,000</u>	<u>\$ 205,000</u>

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - LONG-TERM LIABILITIES (Continued):

At December 31, 2005, debt service requirements were as follows:

<u>Year ended</u> <u>December 31:</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 205,000	\$ 89,858
2007	225,000	84,732
2008	220,000	787,322
2009	240,000	72,345
2010	235,000	65,065
2011 - 2015	1,175,000	182,458
2016 - 2020	225,000	21,600
	<u>\$ 2,525,000</u>	<u>\$ 1,303,380</u>

All debt is secured by the full faith and credit of the Village.

NOTE 10 - DEFINED BENEFIT PENSION PLAN:

Plan description:

The Village's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The Village's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Village. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Funding policy:

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued):

Annual pension cost:

For the year ended December 31, 2005, the Village's annual pension cost of \$10,087 for its defined benefit pension plan was equal to the required and actual contributions. Contributions have not been required for the past three years. Significant actuarial assumptions used included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

Three-year trend information:

For the year ended December 31, 2005, the Village contributed \$10,087 to the plan. For the years ended 2004 and 2003 the Village was not required to make a contribution into the plan.

NOTE 11 - CLAIMS ARISING FROM RISKS OF LOSS:

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has joined together with other local governmental units in the state to form the Michigan Municipal League Insurance Pool (MML), a public entity risk pool currently operating as a common risk management and insurance program for local governmental units within the state. The Village pays an annual premium to MML for all of its insurance coverage's. MML is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$2,000,000 for each insured event.

NOTE 12 - ECONOMIC DEPENDENCY:

For the year ended December 31, 2005, the Village received approximately 21% of its property tax revenues and 12% of its utility revenues from one industrial property owner.

NOTE 13 - ACCUMULATED DEFICIT:

The Middleville Downtown Development Authority, a discretely-presented component unit, has an accumulated deficit in the amount of \$207,725. The deficit is the result of revenues inadequate to cover the costs of a road reconstruction project in 2002. The deficit will be eliminated through the collection of property taxes in subsequent years.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Middleville**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 888,445	\$ 921,817	\$ 747,155	\$ (174,662)
State grants	200,000	200,000	248,239	48,239
Charges for services	30,000	30,000	30,865	865
Licenses and permits	4,500	4,500	2,065	(2,435)
Interest and rentals	6,295	7,695	13,965	6,270
Other	<u>116,022</u>	<u>135,872</u>	<u>29,271</u>	<u>(106,601)</u>
Total revenues	<u>1,245,262</u>	<u>1,299,884</u>	<u>1,071,560</u>	<u>(228,324)</u>
EXPENDITURES				
Legislative	<u>35,121</u>	<u>34,871</u>	<u>20,233</u>	<u>14,638</u>
General government:				
Manager	50,670	50,670	53,002	(2,332)
Finance Director	36,876	36,876	33,287	3,589
Elections	100	100	-	100
Professional fees	49,000	67,900	48,948	18,952
Clerk	25,265	25,315	16,030	9,285
Treasurer	6,299	6,299	5,397	902
Building and grounds	17,000	36,000	30,593	5,407
Nondepartmental	<u>91,556</u>	<u>140,146</u>	<u>121,599</u>	<u>18,547</u>
Total general government	<u>276,766</u>	<u>363,306</u>	<u>308,856</u>	<u>54,450</u>
Public safety:				
Police protection	213,900	217,900	211,923	5,977
Crossing guards	<u>6,201</u>	<u>6,211</u>	<u>4,867</u>	<u>1,344</u>
Total public safety	<u>220,101</u>	<u>224,111</u>	<u>216,790</u>	<u>7,321</u>
Public works:				
Public works department	53,129	54,634	87,774	(33,140)
Street lighting	38,000	38,000	26,911	11,089
Environmental control	56,230	56,230	37,867	18,363
Hydrant rental	41,750	41,750	41,750	-
Sidewalks	<u>94,123</u>	<u>102,659</u>	<u>109,638</u>	<u>(6,979)</u>
Total public works	<u>283,232</u>	<u>293,273</u>	<u>303,940</u>	<u>(10,667)</u>

Village of Middleville**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	<u>\$ 117,601</u>	<u>\$ 132,601</u>	<u>\$ 78,922</u>	<u>\$ 53,679</u>
Culture and recreation	<u>52,120</u>	<u>61,120</u>	<u>47,107</u>	<u>14,013</u>
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>43,155</u>	<u>(18,155)</u>
Total expenditures	<u>1,009,941</u>	<u>1,134,282</u>	<u>1,019,003</u>	<u>115,279</u>
EXCESS OF REVENUES OVER EXPENDITURES	235,321	165,602	52,557	(113,045)
OTHER FINANCING USES				
Transfer to Local Street Fund	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	145,321	75,602	(37,443)	(113,045)
FUND BALANCES - BEGINNING	<u>612,504</u>	<u>612,504</u>	<u>612,504</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 757,825</u>	<u>\$ 688,106</u>	<u>\$ 575,061</u>	<u>\$ (113,045)</u>

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 144,000	\$ 144,000	\$ 135,835	\$ 8,165
Interest	1,500	6,000	6,413	(413)
Total revenues	<u>145,500</u>	<u>150,000</u>	<u>142,248</u>	<u>(7,752)</u>
EXPENDITURES				
Public works:				
Preservation	145,000	525,000	542,804	(17,804)
Routine maintenance	41,832	25,743	19,225	6,518
Winter maintenance	30,442	31,451	31,030	421
Traffic services	<u>5,407</u>	<u>9,145</u>	<u>7,406</u>	<u>1,739</u>
Total expenditures	<u>222,681</u>	<u>591,339</u>	<u>600,465</u>	<u>(9,126)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(77,181)	(441,339)	(458,217)	(16,878)
OTHER FINANCING USES				
Transfer to Local Street Fund	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>	<u>24,000</u>
NET CHANGE IN FUND BALANCES	(101,181)	(465,339)	(458,217)	7,122
FUND BALANCES - BEGINNING	<u>461,927</u>	<u>461,927</u>	<u>461,927</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 360,746</u>	<u>\$ (3,412)</u>	<u>\$ 3,710</u>	<u>\$ 7,122</u>

Village of Middleville**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 48,500	\$ 48,500	\$ 46,310	\$ 2,190
Interest	300	600	937	(337)
Total revenues	<u>48,800</u>	<u>49,100</u>	<u>47,247</u>	<u>(1,853)</u>
EXPENDITURES				
Public works:				
Preservation	90,000	90,000	75,901	14,099
Routine maintenance	28,035	18,035	10,070	7,965
Winter maintenance	29,239	29,239	28,273	966
Traffic services	<u>3,507</u>	<u>5,245</u>	<u>4,141</u>	<u>1,104</u>
Total expenditures	<u>150,781</u>	<u>142,519</u>	<u>118,385</u>	<u>24,134</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(101,981)</u>	<u>(93,419)</u>	<u>(71,138)</u>	<u>22,281</u>
OTHER FINANCING SOURCES				
Transfer from General Fund	90,000	90,000	90,000	-
Transfer from Major Street Fund	<u>24,000</u>	<u>24,000</u>	<u>-</u>	<u>(24,000)</u>
Total other financing sources	<u>114,000</u>	<u>114,000</u>	<u>90,000</u>	<u>(24,000)</u>
NET CHANGE IN FUND BALANCES	12,019	20,581	18,862	(1,719)
FUND BALANCES - BEGINNING	<u>30,176</u>	<u>30,176</u>	<u>30,176</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 42,195</u>	<u>\$ 50,757</u>	<u>\$ 49,038</u>	<u>\$ (1,719)</u>

SUPPLEMENTARY DATA

Village of Middleville**ANALYSIS OF FUNDING PROGRESS - Employee Retirement System****(Municipal Employees' Retirement System of Michigan)**

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

Actuarial valuation date December 31,	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Funded ratio (a)/(b)	(Over- funded) AAL (b-a)	Covered payroll (c)	(Over- funded) AAL as a percentage of covered payroll ((b-a)/c)
1994	\$ 333,346	\$ 192,218	173%	\$ (141,128)	\$ 173,935	-81%
1995	368,646	269,437	137%	(99,209)	176,240	-56%
1996	407,942	304,495	134%	(103,447)	149,025	-69%
1997	449,493	353,041	127%	(96,452)	151,177	-64%
1998	499,700	436,073	115%	(63,627)	158,269	-40%
1999	568,258	379,920	150%	(188,338)	191,809	-98%
2000	616,154	510,260	121%	(105,894)	255,306	-41%
2001	651,394	578,113	113%	(73,281)	264,364	-28%
2002	663,155	607,675	109%	(55,480)	273,594	-20%
2003	705,803	643,480	110%	(62,323)	265,133	-24%
2004	742,540	675,163	110%	(67,377)	309,293	-22%

Village of Middleville**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS****\$1,125,000 1999 BARRY COUNTY CONTRACT PAYABLE***December 31, 2005*

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>April 1</i>	<i>October 1</i>			
2006	\$ 19,338	\$ 19,338	10/1/06	\$ 50,000	\$ 88,676
2007	18,325	18,325	10/1/07	50,000	86,650
2008	17,288	17,288	10/1/08	50,000	84,576
2009	16,225	16,225	10/1/09	50,000	82,450
2010	15,150	15,150	10/1/10	50,000	80,300
2011	14,062	14,062	10/1/11	75,000	103,124
2012	12,394	12,394	10/1/12	75,000	99,788
2013	10,687	10,687	10/1/13	75,000	96,374
2014	8,944	8,944	10/1/14	75,000	92,888
2015	7,181	7,181	10/1/15	75,000	89,362
2016	5,400	5,400	10/1/16	75,000	85,800
2017	3,600	3,600	10/1/17	75,000	82,200
2018	<u>1,800</u>	<u>1,800</u>	10/1/18	<u>75,000</u>	<u>78,600</u>
	<u>\$ 150,394</u>	<u>\$ 150,394</u>		<u>\$ 850,000</u>	<u>\$ 1,150,788</u>

Village of Middleville**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS****\$1,870,000 2003 BARRY COUNTY CONTRACT PAYABLE**December 31, 2005

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>May 1</i>	<i>November 1</i>			
2006	\$ 25,591	\$ 25,591	11/1/06	\$ 155,000	\$ 206,182
2007	24,041	24,041	11/1/07	175,000	223,082
2008	22,073	22,073	11/1/08	170,000	214,146
2009	19,948	19,948	11/1/09	190,000	229,896
2010	17,383	17,383	11/1/10	185,000	219,766
2011	14,515	14,515	11/1/11	180,000	209,030
2012	11,478	11,478	11/1/12	205,000	227,956
2013	7,787	7,787	11/1/13	195,000	210,574
2014	4,180	4,180	11/1/14	220,000	228,360
	<u>\$ 146,996</u>	<u>\$ 146,996</u>		<u>\$ 1,675,000</u>	<u>\$ 1,968,992</u>

Village of Middleville

DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF ADVANCE RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$310,387 2002 LONG-TERM ADVANCE FROM GENERAL FUND

December 31, 2005

<i><u>Fiscal period</u></i>	<i><u>Interest July 1</u></i>	<i><u>Maturity date</u></i>	<i><u>Principal</u></i>	<i><u>Total requirements</u></i>
2006	\$ -	7/1/06	\$ 28,182	\$ 28,182
2007	10,596	7/1/07	28,182	38,778
2008	9,272	7/1/08	28,182	37,454
2009	7,947	7/1/09	28,182	36,129
2010	6,623	7/1/10	28,182	34,805
2011	5,298	7/1/11	28,182	33,480
2012	3,974	7/1/12	28,182	32,156
2013	2,649	7/1/13	28,182	30,831
2014	<u>1,325</u>	7/1/14	<u>28,349</u>	<u>29,674</u>
	<u>\$ 47,684</u>		<u>\$ 253,805</u>	<u>\$ 301,489</u>